



March 22, 2016

The Honorable Sam Johnson  
Chairman, Subcommittee on Social Security  
House Committee on Ways and Means  
2304 Rayburn HOB  
Washington D.C. 20515

Dear Chairman Johnson,

I am writing on behalf of the Ohio Public Employees Retirement System (OPERS) to provide comments regarding the need for equal treatment of public servants, especially as it pertains to the application of the Social Security Act's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

Together, these two provisions present a significant challenge for our members who are eligible for both Social Security benefits and a public pension based on employment that was not covered by Social Security. These individuals will lose some or all of their Social Security benefit simply because they chose a career in public service and were eligible for a Social Security benefit based on their own service or the service of a spouse.

The unfortunate fact of the matter is that many of Ohio's public servants will be impacted by the WEP and/or the GPO. This is because most public employment in Ohio is not covered by Social Security. Instead, Ohio's public servants contribute to one of five statewide public retirement systems, based on their occupation. Of these, OPERS is the largest in Ohio and the eleventh-largest public retirement system in the United States, with total fund assets approaching \$86 billion and more than one million active, inactive and retired members.

Even though OPERS makes every effort to educate its members regarding the impact of the WEP and GPO, many of them are surprised and frustrated to learn just how much their OPERS pension will affect the amount of their anticipated Social Security benefits. These individuals thought they were doing all the right things. They answered the call to public service and tried to plan for a secure retirement, only to discover that their plans were based on a commitment that is no longer valid. Further complicating matters is the fact that many of these affected individuals have little margin for error. The average annual OPERS pension is around \$25,000. Depending on the amount of

their personal savings (if any), the loss of a significant part of their Social Security benefit can leave a substantial hole in their retirement budget. In this regard, the GPO is especially onerous, as it disproportionately impacts women, many of whom have spent most of their lives raising their families and may have worked outside the home for only a short period of time.

The WEP and the GPO have been described as necessary to remove any “advantage or ‘windfall’ ... [that public servants in non-covered states] would otherwise receive as a result of the interaction between the Social Security benefit formula and the workers’ relatively short careers in Social Security-covered employment.”<sup>1</sup> For public servants in non-covered states however, it is clear that these provisions have shifted the balance too far in the opposite direction, to the point that individuals with prior Social Security service are now at a disadvantage if they choose a career in the public sector in certain states.

The question then becomes how to effectively address these provisions in a way that is fair for all Social Security recipients. OPERS is currently in its 81<sup>st</sup> year of providing retirement security to Ohio’s public servants. We appreciate Social Security’s important contributions toward ensuring that American workers have access to a secure retirement. In the not-too-distant past, a Social Security benefit was one part of secure retirement, along with pension benefits and personal savings. It is unfortunate that, with the decline of defined benefit pension plans in the modern workplace, many workers have been forced to rely more heavily on their Social Security benefits to make ends meet throughout their retirement. Understanding that, we are not seeking a solution that will harm Social Security or impede its mission.

In the same way, we urge the members of this Subcommittee to consider solutions that will not harm existing public retirement systems in non-covered states. Some observers have suggested that non-covered public servants could simply be folded into the Social Security System, thereby solving the WEP/GPO problem. This policy of “mandatory coverage” is far from a solution however, as it would devastate systems like OPERS. If contributions or employees are redirected from existing public retirement systems to Social Security, the results could be catastrophic. For example, if mandatory coverage was implemented in Ohio, OPERS-covered public employers might have to contribute an additional 6.2% (the current employer contribution under Social Security) of payroll on top of their current contributions to OPERS, which would significantly increase costs for Ohio’s taxpayers. Alternatively, if the total employer contribution stayed the same, and the 6.2% was simply reallocated from OPERS to Social Security, the resulting loss of income would force OPERS to implement immediate and drastic benefit cuts. This is

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<sup>1</sup> Alison M. Shelton, Congressional Research Service, Social Security: The Windfall Elimination Provision (WEP), January 29, 2010.

to say nothing of the increased burden on Ohio's public servants who would be required to contribute more than 16% of their income to OPERS and Social Security. Clearly, mandatory coverage is not a viable solution.

Fortunately, there is an acceptable solution in the form of the Equal Treatment of Public Servants Act of 2015 (HR 711), which was sponsored by US Representative Kevin Brady (R-TX). Though OPERS has long supported a full repeal of the WEP and GPO, the costs associated with such repeal are prohibitive. Each Congress has produced at least one repeal bill, and while OPERS has advocated in favor of these initiatives, they have seldom received a hearing. To our knowledge, Representative Brady's legislation, which would reform (not repeal) the WEP, is the first bill to account for the costs of modifying that provision. Under HR 711, retirees who are currently subject to the WEP would have their Social Security benefits recalculated and many would receive a larger percentage of the benefits they earned throughout their Social Security-covered careers. Future retirees would be subject to a revised WEP formula that takes their non-covered employment into account when calculating their Social Security benefits. As a result, the significant offsets applied under current law would be decreased. We believe that HR 711 is an important and reasonable first step to addressing an issue that impacts so many of Ohio's public servants. This issue is too important to wait any longer.

Public service is a calling. It should not be penalized or discouraged. These are the men and women that patrol our neighborhoods, fix our roads, and staff our libraries. They maintain our public parks and clean the restrooms in public buildings. They are our friends and neighbors. They took these positions based in part on the opportunity to build a secure retirement. We should honor their service by preserving that opportunity.

We hope that you will support HR 711. We appreciate the opportunity to comment on this important issue, and look forward to working with you to support Ohio's public servants. If you have questions or require further information regarding OPERS' comments, please do not hesitate to contact us.

Sincerely,



Karen E. Carraher  
Executive Director

cc: The Honorable Xavier Becerra, Ranking Member, Subcommittee on Social Security;  
Members of the Subcommittee on Social Security